

Message Text

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70

ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 INT-08 SCEM-02 SPC-03 AID-20

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00

PA-04 PRS-01 USIA-15 ACDA-19 IO-14 COME-00 FRB-02

XMB-07 OPIC-12 LAB-06 SIL-01 NEA-10 NIC-01 DOTE-00

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 8986

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

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LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 17232

E.O. 11652: N/A

TAGS: GW

SUBJECT: CHANCELLOR BRANDT AND ECONOMICS MINISTER
FRIDERICH'S STATEMENTS ON FRG OIL SITUATION

REF: BONN 17227

1. SUMMARY. CHANCELLOR BRANDT CONTINUED TO SPEAK
OUT PUBLICLY ABOUT THE ENERGY CRISIS FACING THE FRG
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BY PRESENTING A GOVERNMENT DECLARATION TO THE

BUNDESTAG ON NOVEMBER 29. HIGHLIGHTS OF WHAT WAS A STATEMENT FILLED WITH GLOOMY THOUGHTS ABOUT THE FUTURE INCLUDED ANNOUNCEMENT OF CERTAIN MACROECONOMIC MEASURES TO OFFSET SECTORAL UNEMPLOYMENT AND A POSSIBLE DECLINING GROWTH RATE STEMMING FROM THE OIL CRISES, AND AN INDICATION THAT FURTHER OIL CONSERVATION MEASURES WOULD NOT BE TAKEN UNTIL AFTER JANUARY 1. ECONOMICS MINISTER FRIDERICH, AFTER ANNOUNCING THAT THE TWO ARAB OIL MINISTERS SCHEDULED TO VISIT BONN ON DECEMBER 3, WOULD NOT BE COMING, PRESENTED DETAILED FIGURES ON THE CURRENT OIL SITUATION. HE ALSO TALKED OF A POSSIBLE NEGATIVE GROWTH RATE FOR THE FRG IN 1974. END SUMMARY.

2. THE CHANCELLOR WHO DURING THE PAST WEEK MADE A SERIES OF OIL-CRISIS-RELATED APPEARANCES SUCH AS HIS MEETING WITH POMPIDOU, AND HIS NOVEMBER 24 TV ADDRESS TO THE GERMAN PEOPLE CONTINUED TO EMPHASIZE THE SERIOUSNESS OF THE FRG OIL SUPPLY SITUATION BY PRESENTING A GOVERNMENTAL DECLARATION TO THE BUNDESTAG ON NOVEMBER 29. THE ADDRESS CONTAINED WIDE RANGING COMMENTS EMPHASIZING THE NEGATIVE IMPACT AN EXTENDED OIL SUPPLY SHORTAGE WOULD HAVE ON THE FRG. HE BEGAN BY SAYING THE CONFLICT IN THE MIDDLE EAST AND THE ENERGY CRISIS WERE SEPARATE AND THAT THE LATTER WOULD LAST LONGER THAN THE FORMER. HE NOTED THAT THE ENERGY SITUATION IN THE FRG WAS SERIOUS AND COULD GET WORSE, BUT INDICATED THAT NO NEW LEGAL MEASURES TO CONSERVE OIL WERE ANTICIPATED BEFORE JANUARY 1. HE SAID THAT ANY NEW MEASURES IMPLEMENTED WOULD BE NON-BUREAUCRATIC, SEEMING- TO POINT AWAY FROM GOVERNMENT-REGULATED RATIONING;(COMMENT: THIS STATEMENT FOLLOWS A NEWS STORY REPORTING THAT BRANDT TOLD MEMBERS OF THE SPD- FRAKTION AT A MEETING ON NOVEMBER 27 THAT UNDER CONSIDERATION FOR IMPLEMENTATION AFTER JANUARY 1 WERE GASOLINE AND HEATING OIL RATIONING AS WELL AS EXPANSION OF THE SUNDAY DRIVING BAN TO OTHER DAYS AND THE PROHIBITION ON DRIVING A FAMILY'S SECOND CAR. END COMMENT. LIMITED OFFICIAL USE

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HE SAID ADDITIONAL CONSERVATION MEASURES UNDER CONSIDERATION INCLUDED:
A. TRANSFERRING TRANSPORTATION FROM ROAD TO RAIL;
B. CUTTING BACK ON AIR SERVICE
C. ACCELERATING APPROVAL FOR CERTAIN ENERGY PROJECTS.

3. DURING BOTH THE SPD MEETING AND TO THE BUNDESTAG,

BRANDT TALKED OF THE FLATTENING OUT OF GROWTH RATES
WORLDWIDE AS WELL AS IN THE FRG AND ALSO MENTIONED
THAT THESE RATES COULD BECOME NEGATIVE SHOULD THE
OIL CRISIS CONTINUE. AS AN IMMEDIATE MACROECONOMIC
MEASURE TO OFFSET POSSIBLE UNEMPLOYMENT AND INCREASE
ELECTRICAL SUPPLY HE ASKED PARLIAMENT TO LIFT THE TEN
PERCENT INVESTMENT TAX ON ENERGY INSTALLATION. THIS
MOVE WOULD BE TAKEN IN CONJUNCTION WITH A DECISION
TO BUILD TEN NEW ELECTRICAL POWER GENERATING STATIONS
USING FRG COAL. HE ALSO ANNOUNCED THE FOLLOWING
ADDITIONAL DECISIONS.
A. TO HALT FURTHER LIBERALIZATION OF THE FRG IMPORT QUOTA ON
TEXTILES;
B.- TO BEGIN CONSTRUCTION ON 50,000 APARTMENT
UNITS; (CSU DEPUTY STRAUSS ATTACKED THIS AS AN OLD

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DECISION)

C. TO RELEASE ERP FUNDS TO ASSIST SMALL AND MEDIUM
SIZE BUSINESSES.

AFTER REJECTING SUGGESTIONS FOR AN EASING OF THE
FRG'S TIGHT MONETARY POLICY, BRANDT DEFENDED HIS
GOVERNMENT'S STABILIZATION POLICY SAYING THE FRG'S
PRICE INCREASE RATE WOULD HAVE BEEN 0.7 PERCENT
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LOWER WITHOUT OIL PRICE INCREASES (5.9 PERCENT RATE
INSTEAD OF 6.6 PERCENT) HE SAID MORE ENERGY PRICE
INCREASES ALONE WOULD ACCOUNT FOR A FURTHER 1.5-2
PERCENT INCREASE IN 1974. HE CLOSED HIS SPEECH BY
URGING ALL CITIZENS TO FACE UP TO MEETING THE
CHALLENGES EVEN THOUGH SOME OF THE MEASURES MAY SEEM
HARSH.

4. FRIDERICH'S ANNOUNCEMENT (SEE REFTTEL) THAT
YAMANI WOULD NOT BE COMING TO THE FRG WAS USED AS A
MEANS OF DEFENDING HIMSELF FROM OPPOSITION CRITICISM
THAT HIS MINISTRY WAS SLOW TO REACT TO THE CRISIS BY
POINTING OUT THAT THE OIL SITUATION CHANGES HOURLY.
FRIDERICH'S THEN PRESENTED THE MOST RECENT
GOVERNMENTAL FIGURES ON THE OIL SITUATION. HE
PREDICTED THAT UNTIL DECEMBER 31, THERE WOULD BE A
15-20 PERCENT SHORTFALL (OVER DECEMBER 1972) IN BOTH
CRUDE AND REFINED PRODUCTS WHILE NOTING THAT THERE
HAD BEEN PREDICTED A 7 PERCENT INCREASE IN
CONSUMPTION. (DECEMBER 73 OVER DECEMBER 72) THIS
WOULD MAKE THE THEORETICAL SHORTFALL 22-27 PERCENT.
CALLING THE PROHIBITION ON SUNDAY DRIVING A SUCCESS
BY NOTING IT HAD SAVED 7 PERCENT OF GAS CONSUMPTION
WHILE THE REDUCTION OF THE SPEED LIMIT TO 60 MILES/
HOUR HAD SAVED AN ADDITIONAL 6 PERCENT, FRIDERICH'S
ACKNOWLEDGED THAT TOTAL GAS CONSUMPTION, COMPARED
TO CONSUMPTION BEFORE THE SHORTFALL BEGINNING
NOVEMBER 19, WAS UP BY 10-20 PERCENT. MINISTRY
EXPERTS ESTIMATE THIS CAME FROM PEOPLES' DECISION
TO KEEP THEIR GAS TANKS 80 PERCENT FULL AS COMPARED
TO 40 PERCENT FULL BEFORE THE CRISIS. HE REPORTED

THAT ALL RESTRICTION OF GASOLINE SALES HAD BEEN
LIFTED WITH THE EXCEPTION OF LIMITING EACH CUSTOMER
ON THE AUTOBAHN TO 20 LITERS.

5. AFTER STATING THERE WERE NO PLANS TO ASSIST
ANY REFINERIES, FRIDERICHs NOTED THAT A CALTEX REFINERY
NEAR FRANKFURT WAS EXPERIENCING SERIOUS DIFFICULTIES
SINCE IT DEPENDED ENTIRELY ON DUTCH CRUDE SUPPLIES.
HE ESTIMATED THAT ITS CLOSURE WOULD THREATEN 29,000
JOBS, A SITUATION WHICH THE GOVERNMENT WOULD HAVE
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TO HEAD OFF.

6. FRIDERICHs, WHILE NOTING IT WAS EXTREMELY
DIFFICULT TO QUANTIFY THE IMPACT AN OIL SHORTAGE
WOULD HAVE ON THE FRG'S GROWTH RATE, OFFERED HIS
PERSONAL OPINION THAT THE FRG'S GROWTH RATE COULD
BECOME NEGATIVE IN REAL TERMS IN 1974.
HILLENBRAND

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